

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
OCTOBER 20, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on October 20, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:32 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Investigatory Matters**
- 4. Personnel Matters**
- 5. Closed Session Minutes**

Member Scrogum seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:58 p.m.

Board Minutes

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the September 8, 1998 regular meeting.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Member Browder moved **that the closed session minutes of the Illinois Gaming Board from February, 1998 through and including August, 1998 be made available for public inspection as required under the Open Meetings Act.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman noted that Complaints and Disciplinary Actions would be considered immediately following the Administrator's report. This change will apply only to this month's agenda.

The Board will hold a holiday season dinner in conjunction with the December Board meeting. On Monday, November 30, the Board and senior staff will dine at La Luce restaurant located at Ogden and Lake Streets in Chicago. A small portion of the evening will include a brief Executive Session by the Board. The Board will reconvene Tuesday morning, December 1 at 9:30 a.m. retiring to Executive Session.

The Board will announce as a Policy Item on today's agenda proposed 1999 Board meeting dates. All interested parties are encouraged to comment on the proposed dates by contacting the Administrator.

Chairman Johnson asked Chief Counsel Cusack to cover two of the Board Policy items on the agenda.

Board Policy Items

RULES – Chief Counsel Cusack reported on the status of rule changes that contain revisions to the way in which the Board defines Key Persons of licensees. The Joint Committee on Administrative Rules considered the rules and issued a No Objection certificate. Ms. Cusack asked the Board to authorize staff to proceed with the final publishing and adoption of the Key Person rules.

Member Scrogum moved **that the Board approve the final publishing and adoption of the Key Person related rules submitted to the Board at this October meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

ROCKFORD CAPITAL DEVELOPMENT ("RCD") – Ms. Cusack reported that RCD filed an application for an Owner's license with the Board in July of 1995, after the Board issued the tenth and final license. Staff did not process or investigate the application. Ms. Cusack asked the Board to authorize the Administrator to refund the initial application fee to Palace Development, LLC the representative of RCD.

Having reviewed the staff's report, Member Pyatt moved **that the Board direct the Administrator to refund the Owner's application fee initially submitted by Rockford Capital Development to Palace Development, LLC.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator also reported that:

- William Koman, Jr. resigned as a member of the board of directors of Casino Queen. He has been replaced by his brother, James Koman.
- The U.S. stock market has hit gaming stocks hard. Illinois companies are almost uniformly at or near their lowest price in years.
- Staff is in the process of developing an employment application form to be used by all owner licensees in screening new personnel. Two draft versions of the application have been sent to licensees for comment. Once responses are received from licensees a final version will be presented to the Board.
- Proposed revisions to the Business Entity Disclosure Form have been made and will be shared with owner licensees for comments.

Complaints & Disciplinary Actions

The Administrator stated that a variety of activities have been called into question with regard to the operations of the Alton Belle. During the course of this year, a number of incidents were documented by IGB staff involving various Internal Control System violations. Though most of the violations were of a minor nature, the overall volume of violations and the repeat nature of several violations, warrant consideration of a complaint resolution. The Administrator added that he was not satisfied that all of the violations were properly followed up upon by IGB staff at the docksite or by AGC management in various departments of the Alton Belle. Staff has summarized the issues in a complaint action. Staff concluded that there are departmental issues, in particular, with casino operations, cage and credit operations, and surveillance operations that require attention by the licensee.

The Administrator stated that changes were made in the assignment of IGB personnel at the Alton docksite. Gaming Board personnel from other docksites were brought in to evaluate the operation. With the cooperation of the licensee, staff has compiled recommended action steps to improve operations at Alton.

Member Pyatt moved **that the Board issue a disciplinary complaint against Alton Gaming Company (“AGC”) and fine AGC in the amount of \$125,000. The complaint pertains to the repeated failures of AGC’s Department of Casino Operations, Cage and Credit Department, Surveillance Department, Security Department, Administrative Department and AGC’s management’s failure to comply with the procedures set forth in AGC’s Internal Control System as well as AGC’s overall indifference to regulatory compliance.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Belletire stated that earlier in 1998 three complaints were issued against Players/SIRCC with regard to the credit practices of the licensee. Collectively the three complaints carried a total fine of \$100,000. The licensee requested a hearing on all three complaints and indicated a willingness to resolve the matters without a full hearing. Based upon a proposal from the licensee, staff recommended that the Board agree to a consolidated, single complaint to replace the previously issued three complaints. The revised complaint would carry a fine of \$100,000.

Having considered the staff's report, Member Browder moved **that the Board withdraw disciplinary action numbers DC-98-5, DC-98-6 and DC-98-7 and issue DC-98-5A against SIRCC with a fine of \$100,000. The revised complaint against SIRCC is for its failure to comply with the company's established credit practices.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

The Administrator advised the Board that in June of 1997, the Board issued a complaint action against Robert Kegley, a Key Person of Empress Casino Joliet. Mr. Kegley paid a \$15,000 fine and was operating under an administrative sanction imposed by the Board that placed limitations upon his entering the property of the Empress Casino. Mr. Kegley has complied with this sanction and the Administrator recommended that the sanction be lifted.

Member Browder moved **that the Board lift the restriction imposed on Robert Kegley in June of 1997 prohibiting him from entering the premises of Empress-Joliet except for purposes of conducting official business. Through this motion Member Browder also moved to lift Mr. Kegley's previously imposed obligation to report each of his entries on the premises to the Administrator or his designee.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Owner Licensee Items

ALTON GAMING COMPANY ("AGC") – Don Malloy, representing AGC, requested renewal of its Owner's license. Mr. Malloy introduced several members of the AGC organization.

Chairman Johnson asked Mr. Malloy to comment on the complaint issued against AGC. Mr. Malloy stated that the management of AGC is going to work with staff to make every correction necessary. AGC's goal is to comply with the requirements and to run its operation in accordance with the Internal Controls and with the Board regulations.

Administrator Belletire reported on notable concerns not covered in the complaint. He noted that Jimmy Connors, the largest single shareholder of AGC, has not provided the Board with appropriate disclosure documents in conjunction with AGC's renewal. The Administrator observed that Mr. Connors' filing is his obligation as well as that of the company. The Administrator commented on a series of changes that were instituted by Argosy with regard to the internal audit process. Staff did not receive timely information and feels not all the changes are in the best interest of regulatory control. In response to the complaint action adopted by the

Board, staff have developed for Board consideration proposed conditions and improvement requirements applicable to the renewal of the Alton Belle.

The Administrator stated that overall the relicensure report of AGC is sobering and disappointing, but noted that the Board has always expected that people will be confronted with their shortcomings and given an opportunity to institute corrections. Staff believes this longest standing licensee deserves this opportunity. The Administrator noted that top Argosy and AGC personnel over the past several weeks have shown a willingness to address the concerns of the IGB in a serious and meaningful fashion.

Member Vickrey moved that the Board renew the Owner's license of the Alton Gaming Company for a period of one-year expiring October of 1999. In renewing the license, the Board hereby orders Alton to do the following by no later than December 31, 1998:

- 1. Undertake a comprehensive review of the Internal Control System ("ICS") and submit revisions that address the areas of concern as identified by the Administrator.**
- 2. Submit to the Administrator a proposed plan revising Alton's management structure and personnel assignments. This plan shall address the specific concerns identified by the Administrator.**
- 3. In conjunction with the aforementioned revisions of the ICS and management structure, Alton must develop and implement a comprehensive plan for the immediate and continued training of all its personnel.**
- 4. Alton must immediately submit a plan revising the scope, responsibility and supervision of the company's internal audit functions. This plan must address the concerns specified by the Administrator and must be in place for the period beginning December 1, 1998 through November 1999.**
- 5. Alton must submit by December 31, 1998 a budget committing the company to a capital improvement plan over the next two years. This budget must contain assurances that Alton's equipment and physical plant will be properly maintained and replaced, as necessary.**
- 6. Except as expressly authorized by this Board, Alton is to refrain from issuing and authorizing any dividend distributions to Argosy Gaming Company that exceed AGC's net earnings.**
- 7. Alton shall provide, on or before December 31, 1998, a revised internal disciplinary system for its employees. This internal disciplinary system must be designed to strengthen and reinforce the company's regulatory compliance.**

- 8. Alton shall work with the Administrator to develop a monthly reporting system, which provides the Board with updated information in the areas specified by the Administrator.**
- 9. On or before December 31, 1998, Alton is to present to the Board a solution to assure that Argosy shareholder Jimmy Connors will comply with the IGB's regulatory process.**
- 10. In conjunction with its review of the aforementioned ICS, Alton shall revise its procurement procedures as specified by the Administrator and develop by December 31, 1998 a plan under which Alton will attain specific targeted Illinois-vendor purchasing levels.**

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORTS ("ERR") – David Belding, representing ERR, requested renewal of its Owner's license. Mr. Belding introduced several members of the ERR organization. Nancy Fishman, the Executive Director of the Grand Victoria Foundation, was also present.

Administrator Belletire reported that there were no significant discrepancies or concerns raised during ERR's renewal period and recommended ERR for renewal.

Member Vickrey asked Mr. Belding about a ground lease agreement with the City of Elgin. Member Vickrey asked for the background on the agreement, approximate annual payment to the City, and the geographical area which the ground lease covers.

Mr. Belding stated the geographical area is North of the parking facility and pavilion. Part of the area has been turned into a city park and surface parking. Most of the parking is used by downtown businesses. He further stated that 3 percent (\$4 million) per year of ERR's net income is paid in quarterly installments to the City for the ground lease.

Member Vickrey asked if Mr. Belding recalled the agreement between ERR and the City of Elgin as to the reconstruction of Grove Street. Neither Mr. Belding, nor his staff present, recalled the specifics of the agreement. Mr. Belding stated that Peter Simon, Senior Vice President of Circus Circus Development Corporation, was directly involved in the negotiations.

Chairman Johnson asked Mr. Belding if the City of Elgin has any plans to implement a refurbishment of the Crocker Theater. Mr. Belding stated that the City has had meetings with the owner of the property and potential developers who have an interest in acquiring the property. Mr. Belding stated that ERR is ready to assist the City and any prospective developer and would be pleased to see a refurbishment of the Crocker Theater.

Chairman Johnson asked the Administrator to query city officials as to long term development plans. The Chairman observed that the Board would like to have a better understanding as to how local tax revenues were impacting various parts of the City of Elgin.

Member Pyatt asked the Administrator to inquire of the City as to the status of its efforts with the Crocker Theater.

Member Vickrey noted that the City has another fund called the Riverboat Lease Fund Projects (“RLFP”). In the RLFP’s 1998 budget, it details what they use the revenue stream for. There is nothing in the document that addresses the Crocker Theater.

Member Vickrey complimented ERR on its operation in Elgin and its assistance with economic development in the City of Elgin.

Member Scrogum moved **that the Board renew the Owner’s license of Elgin Riverboat Resorts (“ERR”) for a period of one year expiring October of 1999. In renewing the license, the Board commends ERR for upholding its commitment to the Board to establish and maintain a community improvement fund to enhance programs affecting education, economic development and environmental issues.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO QUEEN, INC. – Bill Roberts, representing Casino Queen, requested approval of the Casino Queen hotel financing.

Member Pyatt moved **that the Board approve Casino Queen’s request to amend its line of credit with Bank of America from the current \$9 million to \$14 million.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

DES PLAINES DEVELOPMENT CORPORATION (“Harrah’s”) – Tom O’Donnell, representing Harrah’s, requested approval of Christopher Riley as the Director of Finance and Administration.

Member Vickrey moved **that the Board approve Christopher R. Riley as a Level 1 Occupational Licensee of Des Plaines Development Corporation.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO AURORA, INC. (“HCA”) – Susan Gouinlock, representing HCA, requested approval of Shannon Pratt as Vice President of Operations.

Member Scrogum moved **that the Board approve Michael Shannon Pratt as a Level 1 Occupational Licensee of Hollywood Casino Aurora, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

PLAYERS/SIRCC – Michael Crider, representing SIRCC, requested approval of Vincent Naimoli as a Key Person.

Member Scrogum moved **that the Board approve Vincent M. Naimoli as a Key Person of Southern Illinois Riverboat Casino Cruises, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

BALLY GAMING – James Montana, representing Bally Gaming, requested renewal of its Supplier's license.

Paul Lofgren, Vice President of Regulatory Compliance and Governmental Affairs, gave an overview of Bally Gaming. Mr. Lofgren stated that Bally Gaming was acquired in the summer of 1996 by Alliance Gaming. The company is currently licensed in 90 jurisdictions. Mr. Lofgren stated that there have been management changes and an integration of the operations and cultures of both companies to create a unified and successful operation. Mr. Lofgren reported on several new games that Bally is introducing that are currently in use in Nevada and will eventually be offered in Illinois.

Administrator Belletire reported that staff recommend that Bally's license be issued for a four-year period. The Administrator stated that in 1997 Bally was issued a restricted one-year license due to a problem with the accuracy of quarterly reports filed by Bally Gaming. During the past year the quarterly reports have been filed on a timely basis and appear to be correct. One deficiency noted was that Bally, through its Systems Division, sold slot-monitoring devices in Illinois that were not reported. Due to this problem, the Administrator recommended that the Board place a reporting requirement upon Bally related to the accuracy of their filings with IGB.

Member Scrogum moved **that the Board renew Bally Gaming's Supplier's license for a period of four years, expiring October of 2002. In renewing the license the Board orders Bally to report to the Board in October of 1999 the extent to which Bally has complied with quarterly, and, other compliance reporting requirements.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Roberts requested approval of Morris Goldstein as a Key Person of Alliance Gaming.

Member Pyatt moved **that the Board approve Morris Goldstein as a Key Person of Alliance Gaming Corporation.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Browder moved **that the Board approve 147 applications for an Occupational License, Level 2, and 356 applications for an Occupational License, Level 3, and deny 3 applications for an Occupational License, Level 2, and 1 application for an Occupational License, Level 3.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

1999 BOARD MEETING DATES – Chairman Johnson reported that the following Board meeting dates have been suggested for the 1999 calendar year: January 19, February 16, March 23, April 27, May 18, June 22, July 20, September 14, October 26, December 7. All interested parties are asked to submit any comments or conflicts to the Administrator.

Member Scrogum suggested that the Board consider having one or two meetings in the cities where Owner licensees are located. Chairman Johnson stated that the dates and locations would be considered at the December meeting.

ILLINOIS CASINO GAMING ASSOCIATION (“ICGA”) – David Belding, representing ICGA and Peter Bensinger, representing Bensinger DuPont & Associates, gave a presentation on the status of the compulsive gamblers Helpline in Illinois.

Mr. Belding stated that in February of 1996 the ICGA contracted with Bensinger DuPont & Associates and the Illinois Council on Problem and Compulsive Gambling to provide a compulsive gambling program which ICGA funds. The two service providers were retained to staff the Helpline and to train professional counselors and act as the liaison for public information. Mr. Belding stated that during the 2½-year period over 10,000 phone calls were answered. Of that figure 5,500 calls were from persons with gambling problems or relatives of such persons.

Mr. Belding reported that after an extensive review, the ICGA board has chosen to consolidate all of the services provided by the Helpline with Bensinger DuPont & Associates. Effective September 1, 1998, Bensinger DuPont took over sole responsibility for monitoring the Helpline, training the counselors and providing media services.

Mr. Belding stated that the Helpline number has changed to 1-800-GAMBLER. This phone number is currently being promoted with new collateral materials available at all of the casino operations in Illinois. The prior number, 877-888-4700, was changed due to the possibility of people not recognizing that it was a toll-free number.

Peter Bensinger reported on the services provided by Bensinger DuPont & Associates and on future initiatives. Services are being increased to provide more intensive training and wider public awareness of the Helpline number. The new services will include three types of training: Basic Training, Advanced Training and Supervisory Training. Mr. Bensinger reported that ICGA has provided additional funding to allow for quality assurance follow-up at 3 month, 6 month, 9 month and one year intervals after an initial call is received.

Mr. Bensinger briefed the Board on the integration of the new training programs and the creation of a liaison to work with compulsive gamblers who find themselves caught up in the criminal justice system. Mr. Bensinger stated that his company will continue to promote the

Helpline through public service announcements via a major network, radio, talk shows and the media to help reach more people.

Chairman Johnson thanked Mr. Belding and Mr. Bensinger on the industry's efforts to focus attention on this issue.

Administrator Belletire thanked M/Sgt. Mark Finn, the Empress docksite supervisor. M/Sgt. Finn spent six weeks in Alton assessing the situation and worked with the Alton staff to formulate future directions. The Administrator also stated that Lt. Glenn Leonard, of the Chicago office, will head up the internal work group assisting Alton in the weeks ahead.

There being no further business to come before the Board, Member Scrogum moved **that the Board stand adjourned**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:20 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board